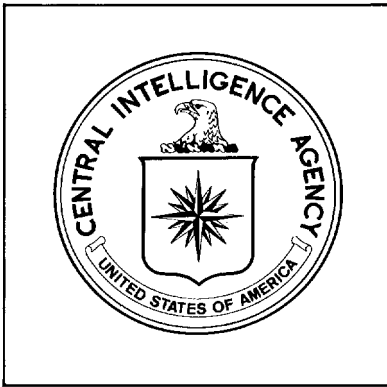


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WESTERN EUROPE -- CANADA -- INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Bonn and Moscow Remain at Loggerheads on
Nuclear Power Plant Project

Chancellor Schmidt has recently conveyed his displeasure to Soviet officials about the delay in reaching a final agreement on the Kaliningrad nuclear power plant project. Schmidt's predecessor, Willy Brandt, will be visiting Moscow later this week and may probe the Soviet leaders concerning this problem.

In the past year or so, there has been significant progress on a number of large-scale joint industrial projects. The Kaliningrad project is one of the most ambitious. The Soviets have agreed in principle to deliver electricity generated by the plant to the Federal Republic in payment for construction costs.

Schmidt thought he had a firm commitment from Brezhnev when he visited Moscow last October, that the transmission line would run directly through West Berlin. The Soviets have subsequently wavered, claiming that consultations with the East Germans and Poles about the routing of the line have not yet been completed. This dalliance is partly a sign of Moscow's difficulty in securing Pankow's cooperation, but in this instance it may also reflect Soviet unhappiness concerning recent political disagreements over West Berlin.

The Chancellor voiced his displeasure to Soviet Deputy Premier Novikov on June 12 immediately after the Joint Economic Commission concluded its fifth meeting in Bonn. Novikov's stress on the financial and technical problems in completing the Kaliningrad project prompted Schmidt to intercede. The Chancellor reaffirmed

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his strong interest in seeing the project completed for political as well as economic reasons. Novikov agreed to convey this message to the Kremlin.

Meanwhile, Brandt who arrives in Moscow tomorrow has instructions from the Chancellor to discuss, among many topics, bilateral economic relations. He may take this opportunity to press the Soviets to reconfirm their earlier commitment to run the transmission line through West Berlin.

Even if agreement on this issue is reached, long and hard bargaining remains on credits and the respective prices charged by West Germany and the USSR for the plant and electricity. Brezhnev, for example, is known to be prepared to press the larger issue of German policy on subsidized credits with Brandt, citing recent credit lines granted by the UK, France, and Canada. (Secret No Foreign Dissem/No Dissem Abroad/Background Use Only/Controlled Dissem)

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Sweden Hopes For Mexican Oil

During his visit to Mexico last week, Prime Minister Palme laid the ground work for expanding Swedish commercial ties with Mexico that may involve swapping Scandinavian technology for Mexican oil. The communique following Palme's talks with Mexican President Echeverria emphasized that industrial and technical cooperation would be developed.

Mexico reportedly is interested in hydro-electric and nuclear energy technology, two areas in which Sweden is well advanced. Recent oil exploration off Mexico's east coast has revealed reserves greatly in excess of that country's needs.

A similar exchange--oil for know-how--was discussed between Stockholm and Oslo last year. The Norwegians were interested in metallurgical technology in exchange for their oil. Thus far, however, nothing substantive has emerged from that proposal. (Confidential No Foreign Dissem)

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Egyptians Developing Closer Relations
with Western Labor Organization

Contacts between Egypt and the International Confederation of Free Trade Unions (ICFTU) have both increased and become warmer of late, although there is no evidence that the Egyptian labor federation is considering affiliation or that the matter is even under discussion.

ICFTU's support for an Egyptian labor leader in his successful bid last month for a seat on the International Labor Organization's (ILO) governing body was the latest example of closer cooperation. The visit to Cairo late this month by ICFTU's Secretary General will provide another opportunity to improve the relationship.

The talks will take up a full agenda of international labor questions and will also include the request by the Israeli labor federation, Histadrut, for support of Israeli use of the Suez canal. Another major topic will probably be the call by labor organizations in several third world countries and certain Christian trade unions for an "international development conference." The Egyptians reportedly support ICFTU's position that such a conference should take place only in an ILO framework.

Some observers add up these developments and come to the conclusion that Egypt is preparing the way for affiliation with ICFTU. ICFTU officials are quick to downplay such reports, and the Assistant Secretary General has noted that

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 Despite such disclaimers, it seems likely that Cairo might be testing the waters for Arab reactions to the Secretary General's visit. In any event both sides may see the visit as an opportunity for a private exchange on the prospects for affiliation, however eventual. (Confidential)

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